



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

14 JUL 2004

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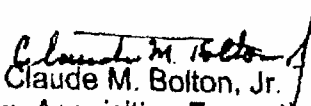
MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Delegation of Authority for the Repayment of Student Loans

I delegate to you the authority to approve the Repayment of Student Loans for personnel assigned to your organization. This authority may be redelegated to the lowest practicable level.

The Federal Student Loan Repayment Program permits agencies to repay federally-ensured student loans as a recruitment or retention incentive for candidates or current employees of the agency. Additional information on this topic can be found at <http://www.opm.gov/oca/pay/StudentLoan/> and at Tab A.

The Acquisition Support Center point of contact on this subject is Garet McKimmie, (703) 805-1015, DSN 655-1015, or e-mail: garet.mckimmie@us.army.mil.


Claude M. Bolton, Jr.
Army Acquisition Executive

Enclosure

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Federal Student Loan Repayment Program

Description

The Federal student loan repayment program permits agencies to repay Federally insured student loans as a recruitment or retention incentive for candidates or current employees of the agency. The program implements 5 U.S.C. 5379, which authorizes agencies to set up their own student loan repayment programs to attract or retain highly qualified employees.

Employee Coverage

Any employee (as defined in 5 U.S.C. 2105) is eligible, except those occupying a position excepted from the competitive civil service because of their confidential, policy-determining, policy-making, or policy-advocating nature (e.g., Schedule C appointees).

Loans Eligible for Payment

Loans eligible for payment are those made, insured, or guaranteed under parts B, D, or E of title IV of the Higher Education Act of 1965 or a health education assistance loan made or insured under part A of title VII or part E of title VIII of the Public Health Service Act. (See Q&A 17 for examples of the types of student loans that are eligible for repayment.)

Limitations

Although the student loan is not forgiven, agencies may make payments to the loan holder of up to a maximum of \$10,000 for an employee in a calendar year and a total of not more than \$60,000 for any one employee.

Discretionary Authority

As with any incentive, this authority is used at the discretion of the agency. Each agency must develop a plan to describe how the program will be implemented.

Service Agreement

An employee receiving this benefit must sign a service agreement to remain in the service of the paying agency for a period of at least 3 years. An employee must reimburse the paying agency for all benefits received if he or she is separated voluntarily or separated involuntarily for cause or poor performance. In addition, an employee must maintain an acceptable level of performance in order to continue to receive repayment benefits.

Annual Reporting

Agencies are required to report annually to the Office of Personnel Management (OPM) on the use of the student loan

repayment authority. Before January 1 of each year, agencies must submit their reports for the previous fiscal year. The reports must contain--

1. The number of employees selected to receive this benefit;
2. The job classifications of the recipients; and
3. The cost to the Federal Government of providing the loan repayment.

OPM will include this information in its annual report to Congress on agencies' use of the student loan repayment program.

References

- [5 U.S.C. 5379](#)
- [5 CFR Part 537](#)
- [5 U.S.C. 2105](#)
- [Questions and Answers](#)
- [Questions and Answers on Tax Liability](#)
- [Sample Agency Plan 1](#)
- [Sample Agency Plan 2](#)
- [Report to Congress](#)
- [Report to Congress \(PDF\)](#)



- [Compensation Administration Home Page](#)

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JAN 26 2005

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Delegation of Authority for the Repayment of Student Loans -
ASC Implementation Plan

On 14 July 2004, Mr. Bolton delegated to you the authority to approve the Repayment of Student Loans for personnel assigned to your organization (see enclosure 1). The purpose of this memo is to provide the ASC implementation guidance for the Repayment of Student Loans as required by the Office of Personnel Management (OPM).

All ASC elements must adhere to the Implementation Plan's requirements. The ASC Implementation Plan can be found at enclosure 2 .

The Acquisition Support Center point of contact on this subject is Garett McKimmie, (703) 805-1015 or DSN 655-1015, or e-mail: garet.mckimmie@us.army.mil.

Genaro J. Dellarocco
Colonel, U.S. Army
Director

Enclosures

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HAZELWOOD, MO 63042

Student Loan Repayment Program

ASC Implementation Plan

Description

Section 5379 of title 5, United States Code, and Part 537 of Title 5, Code of Federal Regulations (CFR), establish the statutory and regulatory authority for the use of student loan repayment as a recruitment or retention incentive to attract or retain highly qualified employees. The Federal student loan repayment program permits agencies to repay Federally insured student loans.

Employee Coverage

Any employee (as defined in 5 U.S.C. 2105) is eligible, except those occupying a position excepted from the competitive civil service because of their confidential, policy-determining, policy-making, or policy-advocating nature (e.g., Schedule C appointees).

Loans Eligible for Payment

Loans eligible for payment are those made, insured, or guaranteed under parts B, D, or E of Title IV of the Higher Education Act of 1965 or a health education assistance loan made or insured under part A of Title VII or part E of Title VIII of the Public Health Service Act.

Limitations

Although the student loan is not forgiven, the PEO may decide to make payments to the loan holder up to a maximum of \$10,000 per year under the umbrella of the guidance provided.

Discretionary Authority

As with any incentive, this authority is used at the discretion of the agency. Per guidance provided in the 29 September 2003 memo from Joel B. Hudson, the AASA delegated this authority to the ASA(ALT) for further delegation to the PEOs. Managers exercising this authority have the following responsibilities:

- a. Verify the existence of the qualifying loan and the balance remaining on that loan by obtaining a letter from the loan holder providing that information.

b. Provide the Customer Service Representative a copy of the signed service agreement for forwarding to DFAS in order to begin payments to the loan holder.

c. Send a copy of the verification of the employee's outstanding federally insured student loan, the manager's justification for authorizing the loan repayment, and a copy of the agreement directly to the servicing CPOC for filing in the OPF.

It is also important to note that it is the responsibility of the managers to ensure that the employees meet the conditions of the servicing agreement; it is not the responsibility of the DFAS, the CPAC or the CPOC.

Service Agreement

A student loan repayment is made under the terms, limitations, and conditions of a written service agreement between the Component and the employee for a specified period of employment with DoD, normally for a period of at least 3 years. An employee must reimburse the paying agency for all benefits received if he or she is separated voluntarily or separated involuntarily for cause or poor performance. In addition, an employee must maintain an acceptable level of performance in order to continue to receive repayment benefit. The incentive is in addition to basic pay and any other form of compensation payable to the employee.

Where appropriate, an approving official may seek an agreement requiring a period of service beyond the statutory minimum. The service requirement begins on the date stated in the agreement. Individuals who fail to complete their agreements must reimburse DoD for the entire amount of all benefits received.

Prior to authorizing the loan repayments, DoD Components must verify that the employee has a qualifying outstanding student loan or loans. Components may repay more than one loan as long as the payments do not exceed the legally prescribed limits. The DoD Component shall not authorize payments to cover accrued penalties associated with the loan(s).

Employees who do not complete periods of service under the terms of the service agreement are subject to the debt collection process as outlined by DoD 7000.14-R, Department of Defense Financial Management Regulation, Volume 8. The appropriate authority may waive the recovery of an employee's debt, in whole or in part, if he or she determines that recovery would be against equity and good conscience, or against the public interest.

A sample agreement is attached.

Annual Reporting

Agencies are required to report annually to the Office of Personnel Management (OPM) on the use of the student loan repayment authority. Before January 1 of each year, each PEO must submit their reports to the HQ ASC for the previous fiscal year. HQ ASC will advise of the specific reporting date each year. The reports must contain

- 1) The number of employees selected to receive this benefit
- 2) The job classifications of the recipients
- 3) The cost to the Federal Government of providing the loan repayment

OPM will use this information in its annual report to Congress on agencies' use of the student loan repayment program.

**DEPARTMENT OF DEFENSE
SAMPLE STUDENT LOAN REPAYMENT SERVICE AGREEMENT**

Title 5 USC 5379 allows repayment of outstanding federally insured student loans made by educational institutions or banks and other private lenders as authorized by the Higher Education Act of 1965 and the Public Health Service Act. Student loan repayments are made directly to the lender subject to the conditions stated in this agreement. Use of this authority in no way constitutes a right, promise, or entitlement for continued employment or noncompetitive conversion to the competitive service.

CONDITIONS OF EMPLOYMENT

_____(COMPONENT)_____ agrees to provide a student loan repayment benefit to:

EMPLOYEE	SOCIAL SECURITY NUMBER	POSITION

subject to the conditions of employment stated in this document.

(STATE CONDITIONS OF EMPLOYMENT SPECIFIC TO EACH AGREEMENT AS DESCRIBED IN 5 CFR 537.107(a) HERE OR ATTACH AS SEPARATE PAGE).

CONDITIONS OF LOAN REPAYMENT

I agree to complete _____(MINIMUM OF THREE YEARS SERVICE)_____. My period of service begins on _____(DATE)_____. In return, _____(COMPONENT)_____ will make payments on my outstanding federally insured loan to:

(LENDER NAME AND ADDRESS)

REPAYMENT AMOUNT	YEARS	TOTAL

Increases or renewals made under this part not to exceed \$6000 each calendar year up to a lifetime total of \$40,000 (may/may not) be made without requiring a new period of service. If increases or renewals are made, however, the Department of Defense (DoD) Component shall document the changes on a revised service agreement. The DoD Component shall provide the Defense Finance and Accounting Service (DFAS) with a

copy of the amended service agreement to ensure the size and duration of payments to the loan holder are adjusted accordingly.

LOAN REPAYMENT PROCEDURES

DFAS will make payments to the lender on a biweekly basis. It will determine the amount to be paid by dividing the annual repayment amount by the number of pay periods in the year for which payments are made. This usually will be 26 payments per year, except for years having 27 pay periods. In those cases, 27 biweekly payments will be made. The loan repayment amount will be considered as taxable wages and tax withholding will be made on a biweekly basis as appropriate. The Department of Defense is not responsible for any late fees or penalties assessed by the loan holder(s) prior to, during, or subsequent to this agreement.

LOSS OF ELIGIBILITY FOR LOAN REPAYMENT BENEFIT

I understand I will no longer be eligible for the loan repayment incentive if I voluntarily end my employment with _____ (COMPONENT) _____, am separated for reasons of misconduct or performance, fail to maintain an acceptable level of performance (as defined by each DoD Component), or in any way violate the terms of this agreement.

REIMBURSEMENT OF LOAN REPAYMENT BENEFIT

If I leave DoD before I complete the period of service specified in this agreement, I will reimburse DoD for the entire amount of all loan repayments considered as taxable wages that DoD has made in my behalf.

EMPLOYEE SIGNATURE

DATE

I certify that I have discussed the conditions of the student loan repayment program with this employee.

HRO REPRESENTATIVE SIGNATURE

DATE

"This information is subject to the Privacy Act of 1974, as amended."

QUALIFYING LOANS FOR REPAYMENT OF STUDENT LOAN INCENTIVE

The Higher Education Act covers three families of loans, such as:

Loans covered under the Public Health Service Act include:

Federal Family Education Loans (FFEL)

- Subsidized Federal Stafford Loans;
- Unsubsidized Federal Stafford Loans;
- Federal Plus Loans, and
- Federal Consolidation Loans;

William D. Ford Direct Loan Programs (Direct Loans)

- Direct Subsidized Stafford Loans;
- Direct Unsubsidized Stafford Loans;
- Direct PLUS Loans;
- Direct Subsidized Consolidation Loans; and
- Direct Unsubsidized Consolidation Loans;

Federal Perkins Loan Program

- National Defense Student Loans (made before July 1, 1972);
- National Direct Student Loans (made between 7/1/72 and 7/1/87);
- Perkins Loans (made after July 1, 1987)

Loans covered under the Public Health Service Act include:

- Loans for Disadvantaged Students (LDS);
- Primary Care Loans (PCL);
- Nursing Student Loans (NSL);
- Health Profession Student Loans (HPSL);
- Health Education Assistance Loans (HEAL).